



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74301; File No. SR-MIAX-2015-10]

### **Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rule 404**

February 19, 2015

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that, on February 9, 2015, Miami International Securities Exchange LLC (“MIAX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is filing a proposal to amend Exchange Rule 404.

The text of the proposed rule change is available on the Exchange’s website at [http://www.miaxoptions.com/filter/wotitle/rule\\_filing](http://www.miaxoptions.com/filter/wotitle/rule_filing), at MIAX’s principal office, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Exchange Rule 404, Interpretations and Policies .02, to extend current \$0.50 strike price intervals in non-index options to short term options with strike prices less than \$100. This is a competitive filing that is based on proposals recently submitted by the International Securities Exchange, LLC ("ISE") and BOX Options Exchange LLC ("BOX").<sup>3</sup>

The Exchange proposes to amend its rules governing the Short Term Option Series Program to introduce finer strike price intervals for certain Short Term Option Series. In particular, the Exchange proposes to amend Rule 404, Interpretations and Policies .02(e), to extend \$0.50 strike price intervals in non-index options to Short Term Options Series with strike prices less than \$100 instead of the current \$75. This proposed change is intended to eliminate gapped strikes between \$75 and \$100 that result from conflicting strike price parameters under the Short Term Option Series and \$2.50 Strike Price Programs as described in more detail below.

Under the Exchange's rules, the Exchange may list Short Term Option Series in up to fifty option classes in addition to option classes that are selected by other securities exchanges

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<sup>3</sup> See Securities Exchange Act Release Nos. 73999 (January 6, 2015), 80 FR 1559 (January 12, 2015) (SR-ISE-2014-52); 74016 (January 8, 2015), 80 FR 1976 (January 14, 2015) (SR-BOX-2015-01).

that employ a similar program under their respective rules.<sup>4</sup> On any Thursday or Friday that is a business day, the Exchange may list Short Term Option Series in designated option classes that expire at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly or quarterly options expire.<sup>5</sup> These Short Term Option Series trade in \$0.50, \$1, or \$2.50 strike price intervals depending on the strike price and whether the option trades in dollar increments in the related monthly expiration.<sup>6</sup> Specifically, short term options in non-index option classes admitted to the Short Term Options Series Program currently trade in: (1) \$0.50 or greater strike price intervals where the strike price is less than \$75, and \$1 or greater where the strike price is between \$75 and \$150 for all classes that participate in the Short Term Option Series Program; (ii) \$0.50 strike price intervals for classes that trade in one dollar increments in non-Short Term Options and that participate in the Short Term Option Series Program; or (iii) \$2.50 or higher strike price intervals where the strike price is above \$150.

The Exchange also operates a \$2.50 Strike Price Program that permits the Exchange to select up to sixty options classes on individual stocks to trade in \$2.50 strike price intervals, in addition to option classes selected by other securities exchanges that employ a similar program under their respective rules.<sup>7</sup> Monthly expiration options in classes admitted to the \$2.50 Strike Price Program trade in \$2.50 intervals where the strike price is (1) greater than \$25 but less than \$50; or (2) between \$50 and \$100 if the strikes are no more than \$10 from the closing price of the underlying stock in its primary market on the preceding day.<sup>8</sup> These strike price parameters

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<sup>4</sup> See Exchange Rule 404, Interpretations and Policies .02(a).

<sup>5</sup> See Exchange Rule 404, Interpretations and Policies .02.

<sup>6</sup> See Exchange Rule 404, Interpretations and Policies .02(e).

<sup>7</sup> See Exchange Rule 404(f).

<sup>8</sup> Id. The term “primary market” means the principal market in which an underlying security is traded. See Exchange Rule 100.

conflict with strike prices allowed for short term options because dollar strikes between \$75 and \$100 that are otherwise allowed under the Short Term Option Series Program may be within \$0.50 of strikes listed pursuant to the \$2.50 Strike Price Program. In order to remedy this conflict, the Exchange proposes to extend the \$0.50 or greater strike price intervals currently allowed for Short Term Options Series with strike prices less than \$75 to Short Term Options Series with strike prices less than \$100. With this proposed change, Short Term Options Series in non-index option classes will trade in: (1) \$0.50 or greater intervals for strike prices less than \$100, or for option classes that trade in one dollar increments in the related monthly expiration option; (2) \$1 intervals for strike prices that are between \$100 and \$150; and (3) \$2.50 or greater intervals for strike prices above \$150.

## 2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>10</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

During the month prior to expiration, the Exchange is permitted to list related monthly option contracts in the narrower strike price intervals available for Short Term Options Series.<sup>11</sup> After transitioning to short term strike price intervals, however, monthly options that trade in

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<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<sup>11</sup> See Exchange Rule 404, Interpretations and Policies .02(e).

\$2.50 intervals between \$50 and \$100 under the \$2.50 Strike Price Program, trade with dollar strikes between \$75 and \$150. Due to the overlap of \$1 and \$2.50 intervals, the Exchange cannot list certain dollar strikes between \$75 and \$100 that conflict with the prior \$2.50 strikes. For example, if the Exchange initially listed monthly options on ABC with \$75, \$77.50, and \$80 strikes, the Exchange could list the \$76 and \$79 strikes when these transition to short term intervals. The Exchange would not be permitted to list the \$77 and \$78 strikes, however, as these are \$0.50 away from the \$77.50 strike already listed on the Exchange. This creates gapped strikes between \$75 and \$100, where investors are not able to trade otherwise allowable dollar strikes on the Exchange. Similarly, these conflicting strike price parameters create issues for investors who want to roll their positions from monthly to weekly expirations. In the example above, for instance, an investor that purchased a monthly ABC option with a \$77.50 strike price would not be able to roll that position into a later short term expiration with the same strike price as that strike is unavailable under current Short Term Option Series Program rules. Permitting \$0.50 intervals for Short Term Options Series up to \$100 would remedy both of these issues as strikes allowed under the \$2.50 Strike Price Program would not conflict with the finer \$0.50 strike price interval.

The Short Term Option Series Program has been well-received by market participants and the Exchange believes that introducing finer strike price intervals for Short Term Options Series with strike prices between \$75 and \$100, and thereby eliminating the gapped strikes described above, will benefit these market participants by giving them more flexibility to closely tailor their investment and hedging decisions.

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority (“OPRA”) have the

necessary systems capacity to handle any potential additional traffic associated with this proposed rule change. The Exchange believes that its members will not have a capacity issue as a result of this proposal. The Exchange also represents that it does not believe this expansion will cause fragmentation of liquidity.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. In this regard and as indicated above, the Exchange notes that the rule change is being proposed as a competitive response to filings submitted by ISE and BOX.<sup>12</sup> To the contrary, the Exchange believes that the proposed rule change will result in additional investment options and opportunities to achieve the investment objectives of market participants seeking efficient trading and hedging vehicles, to the benefit of investors, market participants, and the marketplace in general. Additionally, the Exchange believes that the proposed rule change is necessary to permit fair competition among the options exchanges with respect to Short Term Option Series Programs.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the proposed rule change does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the

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<sup>12</sup> Id. [sic]

Commission may designate, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>13</sup> and Rule 19b-4(f)(6) thereunder.<sup>14</sup>

The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange stated that waiver of this requirement will allow the Exchange to compete with other exchanges with similar provisions without putting the Exchange at a competitive disadvantage. For this reason, the Commission believes that the proposed rule change presents no novel issues and that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest; and will allow the Exchange to remain competitive with other exchanges. Therefore, the Commission designates the proposed rule change to be operative upon filing.<sup>15</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### IV. Solicitation of Comments

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

<sup>15</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-MIAX-2015-10 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-MIAX-2015-10. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the



Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer

to File Number SR-MIAX-2015-10 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Brent J. Fields,**  
*Secretary.*

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<sup>16</sup> 17 CFR 200.30-3(a)(12).